

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7672

BILL NUMBER: HB 1605

DATE PREPARED: Feb 1, 2001

BILL AMENDED:

SUBJECT: Levy Appeal for School Health Insurance Costs.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill permits a school corporation to appeal to the State Board of Tax Commissioners for an excessive general fund property tax levy to fund increased employee health insurance costs.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) Local schools paid \$532.5 M in group insurance, health, life, and accident insurance for FY 2000. Health insurance is the major portion of group insurance. Assuming that health insurance is about 80% of the group insurance cost, the health insurance costs would have been about \$426 M for FY 2000. The bill allows an appeal if the health insurance cost increase is a result of:

1. Increased costs due to an increase in enrollment.
2. Increased costs due to an increase in premiums that is not due to a change in the program design.

Year	Group Insurance	Est Health Insurance (80% of Group Insurance)	Increase	% Increase
FY 2000	\$532,537,381	\$426,029,905	\$46,831,528	12.4%
FY 1999	\$473,997,971	\$379,198,377	\$25,469,218	7.2%
FY 1998	\$442,161,448	\$353,729,158	\$26,022,259	7.9%
FY 1997	\$409,633,624	\$327,706,899	\$30,527,226	10.3%
FY 1996	\$371,474,591	\$297,179,673		

Based on increases for previous years, about 9.44% over the last four years, the *maximum* dollar amount of appeals would be about \$40.2 M the first year.

The state's expense for property tax replacement credits (PTRC) could be increased under this bill. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRC expenditures would ultimately come from the General Fund.

The impact on the Property Tax Replacement Fund could be a *maximum* of \$8 M per year based on prior experience.

The actual fiscal impact depends on the number and dollar amount of appeals and the amount of those appeals that are granted by the State Board of Tax Commissioners.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Expenditures.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Local School Corporations.

Information Sources: Department of Education Databases.